

**THE CHICAGO PHILHARMONIC
SOCIETY**

YEAR ENDED JUNE 30, 2014

THE CHICAGO PHILHARMONIC SOCIETY

YEAR ENDED JUNE 30, 2014

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Independent Auditor's Report

Board of Directors
The Chicago Philharmonic Society
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of The Chicago Philharmonic Society (a nonprofit organization) (the Society), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Philharmonic Society as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ostrow Reisin Berk & Abrams, Ltd.

August 15, 2014

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF FINANCIAL POSITION

June 30, 2014	
ASSETS	
Cash	\$ 57,109
Contributions receivable	20,000
Prepaid expenses	983
Property and equipment, net	4,017
Security deposits	834
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Total assets	\$ 82,943
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LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ 1,711
Accrued expenses	19,067
Unearned revenue	16,941
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Total liabilities	37,719
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Net assets:	
Unrestricted	13,224
Temporarily restricted	32,000
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Total net assets	45,224
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Total liabilities and net assets	\$ 82,943
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See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF ACTIVITIES

Year ended June 30, 2014	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contracted services	\$ 1,202,070		\$ 1,202,070
Admissions and subscription income	56,519		56,519
Contributions and grants	340,370	\$ 32,000	372,370
Total revenue	1,598,959	32,000	1,630,959
Expenses:			
Program services	1,361,194		1,361,194
Management and general	174,217		174,217
Fundraising	85,564		85,564
Total expenses	1,620,975		1,620,975
Change in net assets	(22,016)	32,000	9,984
Net assets:			
Beginning of year	35,240		35,240
End of year	\$ 13,224	\$ 32,000	\$ 45,224

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF CASH FLOWS

Year ended June 30, 2014

Cash flows from operating activities:

Change in net assets	\$ 9,984
Adjustments to reconcile change in net assets to cash used in operating activities:	
Amortization	1,148
Increase in operating asset:	
Contributions receivable	(15,000)
Increase (decrease) in operating liabilities:	
Accounts payable	(3,987)
Accrued expenses	(26,136)
Unearned revenue	4,716

Cash used in operating activities (29,275)

Cash flows from investing activity:

Purchase of property and equipment	(5,165)
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Cash used in investing activity (5,165)

Decrease in cash (34,440)

Cash, beginning of year 91,549

Cash, end of year \$ 57,109

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

The Chicago Philharmonic Society (the Society) is an Illinois nonprofit corporation that operates orchestral and chamber music ensembles based in Chicago, Illinois. The Society's primary purpose is the promotion and appreciation of orchestral and chamber music among the general public. Revenues are primarily derived from contracted services, ticket sales and contributions.

2. Summary of significant accounting policies

Basis of accounting:

The Society's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of presentation:

The financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Society is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are available to finance the general operations of the Society. Temporarily restricted net assets represent those for which the use by the Society has been limited by donors to a special time period or purpose, see Note 5. Permanently restricted net assets have been restricted by donors to be maintained by the Society in perpetuity. The Society had no permanently restricted net assets at June 30, 2014.

Unrestricted and restricted revenue and support:

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions, unless the restriction is met in the same reporting period, in which case the contribution is shown as unrestricted.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributions receivable:

Contributions receivable include amounts due in less than one year. An allowance for doubtful accounts is considered unnecessary and is not provided.

Property and equipment and related amortization:

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Amortization of property and equipment is provided over the estimated useful life of the assets using the straight-line method. Additions over \$500 are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently.

Unearned revenue:

The Society receives ticket purchases in advance of the concert performance. These are classified as unearned revenue until the concert has taken place.

Advertising and marketing:

Advertising and marketing costs are expensed as incurred. Total advertising and marketing costs were \$29,808 for the year ended June 30, 2014.

Joint costs and expense allocation:

The costs of providing various programs and other activities have been summarized on a functional basis on the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes:

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for federal income taxes in the accompanying financial statements. The Society's Form 990, Return of Organization Exempt from Income Tax, is no longer subject to examination by the Internal Revenue Service for years ended prior to June 30, 2011.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

3. Property and equipment

The components of property and equipment are as follows:

<u>June 30, 2014</u>	
Website	\$ 5,165
<u>Less accumulated amortization</u>	<u>1,148</u>
<u>Property and equipment, net</u>	<u>\$ 4,017</u>

4. Contributed goods and services

The Society follows the recommendations of the Codification for *Accounting for Contributions Received and Contributions Made*, which requires the Society to recognize as revenue the fair value of contributed (donated) goods and services.

The Society also receives donated services from unpaid volunteers who assist in its fundraising events and programs in the furtherance of its purposes. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Society. None of these amounts have been recognized in the statement of activities because the criteria for recognition have not been met.

5. Temporarily restricted net assets

Temporarily restricted net assets of \$32,000 at June 30, 2014 represent purpose restrictions for concerts to be held during the year ended June 30, 2015.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Line of credit

In February 2012, the Society established a line of credit with First Bank & Trust in Evanston, Illinois. Per the agreement, the Society can borrow up to \$30,000 to the extent that funds have been deposited in a collateral trust created by contributors. During the year, this line of credit was renewed to have maximum borrowings of \$65,000. The line, which bears interest at the prime rate (3.25%), matured on February 9, 2014 and was renewed to February 19, 2015. At June 30, 2014, the contributors had \$25,000 deposited in the collateral trust, with a borrowing limit of up to the same amount. At June 30, 2014, the Society did not have a balance outstanding on the line of credit.

7. Leases

The Society has an operating lease for rental space in Chicago, Illinois. The lease began in September 2013 and expires in August 2015. Future minimum rental payments under this lease are as follows:

Year ending June 30:	Amount
2015	\$ 10,250
2016	1,717
Total	\$ 11,967

Rent expense for the year ended June 30, 2014 was \$8,920.

8. Multiemployer pension plan

The Society is a participating employer in a multiemployer, defined-benefit pension plan for musicians. Contributions of \$127,510 during the year ended June 30, 2014 were charged to operations for the Society's ongoing participation in this defined-benefit plan. The inherent risk of participating in this defined-benefit plan is that under current law regarding the multiemployer benefit plans, a plan's termination, the Society's voluntary withdrawal or mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the Society to make payments to the plan for the Society's proportionate share of the multiemployer plan's unfunded vested liabilities.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Multiemployer pension plan (continued)

The Society's participation in this multiemployer plan for the year ended June 30, 2014 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2014 is for the plan year ended March 31, 2014. The zone status is based on information that the Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the participation agreement to which the plan is subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Pension Zone Status	FIP/RP Status Pending/Implemented	Entity Contributions	Surcharge Imposed	Expiration Date Participation Agreement
American Federation of Musicians and Employers' Pension Plan	EIN: 51-6120204 Plan number: 001	Red*	Yes - Implemented	\$ 127,510	Yes	11/14/12 - 11/13/14

*Pursuant to the Preservation of Access to Care for Medicare Beneficiaries and the Pension Relief Act of 2010, the plan elected to (i) extend from 15 years to 29 years the amortization period for 2008 net investment losses (i.e., net investment losses for the plan year ended March 31, 2009); (ii) smooth those net investment losses over 10 years in the actuarial value of assets and (iii) allow the actuarial value of assets used by the plan to be as much as 130% of the market value of assets for the plan years beginning on April 1, 2009 and 2010.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Concentration of credit risk

The Society maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Society has not experienced any losses in such accounts. Management believes that the Society is not exposed to any significant credit risk on cash.

10. Subsequent events

Management of the Society has reviewed and evaluated subsequent events from June 30, 2014, the financial statement date, through August 15, 2014, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2014	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 1,008,596	\$ 91,972	\$ 36,798	\$ 1,137,366
Payroll taxes	77,214	7,035	2,815	87,064
Pension contribution	127,510			127,510
Conductors and guest artists	39,603			39,603
Total personnel costs	1,252,923	99,007	39,613	1,391,543
Advertising and marketing	2,335	24,622	2,851	29,808
Amortization		1,148		1,148
Bank, credit card and ticket fees	2,794	3,429		6,223
Concert production costs	90,056			90,056
Donor cultivation			541	541
Dues and subscriptions		515		515
Insurance	13,086	2,383		15,469
Office supplies and expenses		6,365		6,365
Other		4,459		4,459
Printing and design		1,143	28,159	29,302
Professional fees		10,041	14,400	24,441
Relocation expense		4,183		4,183
Rent		8,920		8,920
Telephone and internet		3,752		3,752
Transportation		4,250		4,250
Total expenses	\$ 1,361,194	\$ 174,217	\$ 85,564	\$ 1,620,975